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Title: Fletcher: Redoing tobacco deal could hold down tuition

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Lead:

Public colleges and universities could keep down tuition increases next year if Kentucky rethinks a 1998 agreement with tobacco companies, Gov. Ernie Fletcher said yesterday.

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Public colleges and universities could keep down tuition increases next year if Kentucky rethinks a 1998 agreement with tobacco companies, Gov. Ernie Fletcher said yesterday.

But House Democrats said they have too many legal concerns to adopt the proposal.

John McGary, a spokesman for House Speaker Jody Richards, D-Bowling Green, said Fletcher is using tuition "as leverage" to pressure the House into replacing payments from the agreement with another source of money.

"He wants to say if we don't do what he wants we'll be costing people projects and raising tuition," McGary said.

Rep. Harry Moberly, D-Richmond, chairman of the House budget committee, said he agrees that the state could receive more money through a tax on cigarette manufacturers, as Fletcher has proposed, than it gets from the Master Settlement Agreement.

But he said replacing agreement payments with a manufacturer's tax could result in lawsuits and leave the state without revenue from either source.

Democrats are looking at other ways to provide more money for higher education than the \$50 million in additional spending Fletcher proposed for 2006-08, he said.

Fletcher called a news conference to reiterate his recommendation to the General Assembly that it impose a \$4-per-carton tax on cigarettes rather than accept payments from the agreement.

The agreement ended a lawsuit filed by states to recover the public costs of treating people who got sick by smoking.

It's unclear what impact the tax would have on the price of cigarettes.

Fletcher said the state could receive \$150 million a year under the per-carton tax -- more than Kentucky gets each year under the settlement agreement.

Of the \$150 million, Fletcher would recommend that \$14.5 million go to higher education in 2006-07 and \$24.3 million the following year, according to the governor's budget office.

That would be enough to keep tuition increases at single-digit percentages next fall under a policy adopted Monday by the Council on Postsecondary Education, Fletcher said.

Fletcher has argued that for every \$4 Kentucky smokers pay into the settlement fund, the state gets about \$2, therefore subsidizing larger states such as California and New York.

"We're sending money there that could be used in this state to make higher education more affordable, and that sounds like a smart thing to do," Fletcher said.

The 1998 settlement agreement was signed by 46 states and most major tobacco manufacturers. So far, none of the 46 states has rescinded its participation in the agreement, said Mark Greenwold, chief tobacco lawyer for the National Association of Attorneys General, which coordinates the agreement for the participating state's top lawyers.

Moberly said Democrats are concerned about some issues Attorney General Greg Stumbo raised in a letter to lawmakers last week.

In that letter, Stumbo, a Democrat, said that Kentucky is legally obligated to uphold the agreement and that breaching it could result in lawsuits against the state. That would jeopardize settlement payments from tobacco companies of about \$105 million a year, he said.

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